



April 2005 Finance Report

Information Technology Investment Board Finance and Audit Committee Meeting April 11, 2005

This month's finance report provides information on the following topics:

- February 2005 financial results
- Cash flow update
- Indirect costs analysis
- Savings report
- 2004 - 2006 biennial budget amendments status
- Rates for new and shared services

February 2005 Financial Results

February 2005 Financial Results All Funds

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$264,191,386	\$142,522,326	54%
Expenses, incl transfers out	<u>267,958,032</u>	<u>141,877,143</u>	53%
Net Change	(3,766,646)	645,183	
Retained Earnings, July 1	<u>45,267,229</u>	<u>45,267,229</u>	
Ending Retained Earnings	<u>\$41,500,583</u>	<u>\$45,912,412</u>	

The FY 2005 Adjusted Budget reflects those changes approved by the Information Technology Investment Board on December 8, 2004, updated for the receipt of \$6.1M from the General Fund for FY 2005 start-up activities. Financial activity through the first eight months of fiscal year 2005 is lagging in the Internal Service Fund, but all other funds are on track. An update on VITA's cash position is described in detail in the next section of this report.

**February 2005 Financial Results
Internal Services Fund**

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$212,873,100	\$110,053,749	52%
Expenses, incl transfers out	<u>210,904,274</u>	<u>109,652,722</u>	52%
Net Change	1,968,826	401,027	
Retained Earnings, July 1	<u>27,788,000</u>	<u>27,788,000</u>	
Ending Retained Earnings	<u>\$29,756,826</u>	<u>\$28,189,027</u>	

Revenues and expenses, as a percent of total budget, are lower in the first eight months of the fiscal year due to the graduated pace of large agency transitions, as previously reported. The spending pace associated with transitioned agencies, though, is not as robust as expected. As a result, we are now expecting less revenues and expenses than originally budgeted and we are closely monitoring activity within the transitioned agencies.

Prompt pay continues to improve with 96.8% compliance for January and 97.8% for February. The eVA receiving procedure has improved prompt pay compliance; VITA continues to ensure all staff are aware of the new procedures.

**February 2005 Financial Results
Enterprise Funds**

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$40,200,000	\$28,742,041	71%
Expenses, incl transfers out	<u>43,159,000</u>	<u>29,278,413</u>	68%
Net Change	(2,959,000)	(536,372)	
Retained Earnings, July 1	<u>14,403,865</u>	<u>14,403,865</u>	
Ending Retained Earnings	<u>\$11,444,865</u>	<u>\$13,867,493</u>	

VITA's Enterprise Funds are comprised of the portal access program and E-911. After payments to state agencies of \$19 million, the remaining \$4.5M in revenues for the portal access program was expensed for contractor payments and VITA operations. The Virginia Wireless E-911 Services fund took in \$24 million in revenue during the first eight months of

the year and paid out \$23.5 million to providers and \$1.5 million for project management and other operating costs, accounting for the loss in the fund through February 2005.

February 2005 Financial Results General Fund

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$8,509,614	\$1,783,193	21%
Expenses, incl transfers out	<u>8,509,614</u>	<u>1,783,193</u>	21%
Net Change	0	0	
Retained Earnings, July 1	<u>0</u>	<u>0</u>	
Ending Retained Earnings	<u>\$0</u>	<u>\$0</u>	

With the exception of the start up funds discussed below, funds provided through the Commonwealth's General Fund are earmarked primarily to support VITA's Strategic Management Services directorate, and spending is on target with the budget. Because the funds must be used in the year appropriated, expenditures will not exceed appropriations at the end of the fiscal year.

The \$6.1 million received in January 2005 for startup funds for consolidation and specified Independent Verification and Validation (IV&V) activities is now reflected in the Adjusted Budget column. These one-time funds will allow VITA to proceed with small agency support, customer care center upgrades, network security initiatives and other integration-related initiatives, and must be spent by June 30, 2005. VITA finance staff is making accounting entries to move \$2.4M in expenses already incurred (prior to receipt of these funds) into this account. These expenses are not fully reflected in the Actual Results column as of February. Because of General Assembly action this year, these start-up funds may require reimbursement over a two-year time period. Additional information is provided in the Biennial Budget Amendments Update section below.

**February 2005 Financial Results
Special Revenue Funds**

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$2,422,049	\$1,756,720	73%
Expenses, incl transfers out	<u>3,205,450</u>	<u>91,626</u>	3%
Net Change	(783,401)	1,665,094	
Retained Earnings, July 1	<u>1,082,293</u>	<u>1,082,293</u>	
Ending Retained Earnings	<u>\$298,892</u>	<u>\$2,747,387</u>	

Components of the Special Revenue Funds include the IFA, PPEA, GIS, and Virginia Technology Infrastructure funds with February 2005 fund balances of \$1,817,000, \$108,000, \$394,000, and \$300,000, respectively. The majority of revenues were in the IFA fund, just over \$1,687,000, while most expenditures (\$91,000) were incurred by the PPEA initiative. VITA finance staff is changing current processes to transfer IFA expenses on a monthly or quarterly basis, as opposed to the current fourth quarter transfer for all expenses. This will result in a better representation of expenditures against this fund throughout the year.

**February 2005 Financial Results
Federal Funds**

	<i>FY2005 Adjusted Budget</i>	<i>February 2005 Actual Results</i>	<i>Actual as a Percent of Adjusted Budget</i>
Operating Revenues, incl transfers in	\$186,623	\$186,623	100%
Expenses, incl transfers out	<u>2,179,694</u>	<u>1,071,189</u>	49%
Net Change	(1,993,071)	(884,566)	
Retained Earnings, July 1	<u>1,993,071</u>	<u>1,993,071</u>	
Ending Retained Earnings	\$0	\$1,108,505	

VITA continues to await approval of \$950K in additional Homeland Security funds, intended to build the Commonwealth's incident management capability and submitted to the Virginia Department of Emergency Management (VDEM) in October. Expenditures are on target to complete other grant funded activities as planned.

The following financial statements as of February 28, 2005 are provided at the end of this report:

- Combined Balance Sheet for Internal Service Funds—Exhibit A
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Internal Service Funds—Exhibit B
- Combined Statement of Cash Flows for Internal Service Funds—Exhibit C
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Enterprise Funds—Exhibit D
- Combined Statement of Revenues, Expenses and Changes in Net Assets for General and Special Revenue Funds—Exhibit E

Cash Flow Update

With the implementation of the Direct Bill process, VITA's cash flow has been an ongoing concern. The volatility of cash flows has been previously discussed in the last few Finance and Audit Committee reports. At the beginning of fiscal year 2005, VITA had \$20 million cash on hand. At the close of February, VITA reflected a negative \$1.5 million balance. Vendor payments and payroll continue to be processed through the State Treasury since the funds owed VITA are in the accounts of customer state agencies. In 2004, VITA added about 800 employees to its payroll as a result of transition and conducts all purchases of in-scope IT goods and services. While this works to the cash advantage of customer agencies, it is detrimental to the cash flows of VITA. When implementing Direct Bill, for customer agency convenience, VITA allowed the same payment terms for transition services as had been allowed for "legacy" services in the past – 30 days from the billing date.

There is up to a 75-day lag between the incursion of an expense and the reimbursement of that expense from a customer state agency, resulting, as anticipated, in the current cash flow shortfall. For example, in VITA's current practice, VITA incurs the April 1 payroll expense (and credit to cash in the Commonwealth's accounting system) at the time of payroll certification, March 25. These same charges will not be collected until 30 days after the April billing which is issued about the 15th of the following month or May 15. Therefore, for agencies that pay timely, cash for the April 1 payday may not be realized by VITA until June 15, 75 days after the cash decrease in VITA's financial position.

While our cash balances have been decreasing, our accounts receivable balances have been increasing, especially in our Direct Bill fund. At the end of FY 2004, accounts receivable were at \$15.8M; at February 28, 2005, receivables had grown to \$34.1M. And while most of VITA's accounts receivables are current, we are actively pursuing accounts receivable delinquencies; past due amounts as of February account for five percent of all receivables, while those over thirty days late account for three percent. Regardless of age, all receivables are considered collectible. In addition, VITA is seeking ITIB authorization to change payment terms for all funds to 10 days after the billing date. This should not impose a hardship on customer agencies; they are aware of the personnel costs being incurred. Also, customer agencies initiate all goods and services orders as well as enter the receiving information into eVA prior to VITA's payment of the invoice. This being the case, reconciliation and approval of the VITA bill should not, generally, require more than a 10-day turnaround.

VITA is closely monitoring the 5.52% administrative fee that covers the costs of transition activities to ensure cash flows are available to cover these expenses by year's end. VITA is also preparing a cash flow analysis for the Department of Accounts and the Department of Planning and Budget in anticipation of applying for a Treasury Loan and/or including a Line of Credit in the next Budget Bill submission. Both alternatives are common practices in the

Commonwealth. A treasury loan is only available for one year; both the line of credit and a treasury loan for a period beyond one year would require General Assembly approval. Treasury loans are often used when federal grants or other special funds are involved because there is often a lag between incurring expenditures and reimbursement from the federal government or private entities. Lines of credit are used by several Commonwealth agencies, such as the Department of Alcoholic Beverage Control or the Virginia Lottery, to cover the time lag from billing to collection of related receivables.

Our current projections indicate we will most likely close the fiscal year with a \$xxx cash shortfall. We anticipate the worst case scenario would yield a \$XX shortfall and the best case would yield a \$xx shortfall. Our projections are based on various assumptions made as part of our cash flow analysis, but are highly dependent upon actual agency spending in the next three months.

The following motion is suggested:

VOTED, that the ITIB Finance and Audit Committee approves the change in customer payment terms for all funds from 30 days to 10 days past the VITA billing date.

Indirect Costs Analysis

VITA's indirect costs for fiscal years 2003 – 2005 are composed of various categories of expenses, as shown in Exhibit F. These expenses are then allocated across all funding categories (billing elements), based upon certain methodologies, to determine the full cost of each funding category. Costs between fiscal years 2003 and 2004 remained constant, but fiscal year 2005 shows increases, as expected, for the additional overhead required to support the new transitioned services. (Of the \$14.4M shown for FY 2005 expenses through February, \$2.2M is attributable to integration expenses.)

Exhibit F
FY 2003 – 2005 Indirect Costs (\$000)

	FY 2003	FY 2004	FY 2005 thru February
Systems and Support Services	7,251	7,615	5,490
Security	1,663	1,707	1,451
Finance and Administrative Services	5,181	6,266	5,449
Other	3,720	1,980	2,005
Total Indirect Costs	17,815	17,568	14,395
Total Expenses	112,979	113,071	111,430
Percent	15.8%	15.5%	12.9%

Savings Update

(We are currently reviewing VITA's savings report, shown in Exhibit G.)

Exhibit G Savings Initiatives (\$000)

	FY04	FY05	FY06
Gross Savings	\$15,858	\$26,352	\$28,011
Cost Avoidance	875	1,530	720
Total	\$16,733	\$27,882	\$28,731

2004 – 2006 Biennial Budget Amendments Update

VITA finance and legislative staff worked closely throughout the 2005 General Assembly session with the Secretary of Technology, the Secretary of Finance and the General Assembly to address issues and questions related to VITA's amendments as well as to prepare fiscal impact statements on proposed legislation.

Several budget amendments of interest to VITA were submitted by members of the House and Senate. These amendments, endorsed by the ITIB and the Secretary of Technology, built upon the Governor's funding recommendations. The specific issues addressed by general fund requests in both houses were: VITA's data center and office relocation, updates to the Commonwealth's base map and central address file, and obtaining adequate tools and staffing to meet mandated project management oversight responsibilities. In addition, a Senate amendment proposed adding to VITA's information security capabilities by establishing risk management audits of databases and operating an incident management response center.

In their February 6 reports, neither the House Appropriations Committee nor the Senate Finance Committee recommended any of the additional funds proposed by their members. The Senate Finance Committee, acting upon advice sought from JLARC, also eliminated two of the Governor's amendments (\$320K from the General Fund for program management/enterprise architecture and \$1.1M from the General Fund for relocation expenses) and replaced the general fund appropriation with one for nongeneral funds, i.e. internal service funds (ISF). The "replacement" is essentially meaningless absent a rate increase; cash will not be available to back an increased appropriation for ISF.

The House Appropriations Committee proposed a reduction of \$6.1M in the Central Appropriations account (general fund), funding that was earmarked to repay the treasury loan supporting VITA's one-time appropriation for FY 2005 start-up expenses. Accompanying language erroneously claimed that VITA was improperly borrowing against future revenue—when in fact undesignated prior year balances had specifically been identified as the loan repayment source—and directed the Department of Planning and Budget to assess general fund reductions against state agencies to repay the loan.

VITA's leadership, legislative, and finance staff collaborated on the negative impact of the money committee recommendations, with the intention of prompting reconsideration of the amendments that would adversely affect VITA's customers. The CIO worked closely with

legislators who were most invested in the creation and success of VITA. On February 26 the budget conferees approved amendment recommendations. These mirrored those of Senate Finance, with the addition of a language amendment for loan repayment of the start-up funds. The latter amendment, while differing from the earlier version, still has the undesirable effect of imposing the loan repayment expense on state agencies.

The final outcome of the budget will not be certain until the conclusion of the veto session, convening April 6th. In the interim, ongoing efforts to create a rate structure for shared services are being expanded to include development of new rates for services that were requested from general or special funds. This is a reasonable and measured response to the JLARC-espoused, General Assembly-endorsed direction that all of VITA's funding requests, save the base map update, were "inappropriate for general funding" and "inconsistent with the General Assembly's long-standing practice not to provide general funds for internal service fund operations."

Exhibit H depicts the succession of legislative events impacting VITA's budget. One amendment recommended by the Governor and retained by the 2005 General Assembly, for new administration transition costs, is not included in this summary as the funding (about \$100K projected for VITA) is not controlled by this agency.

Exhibit H Evolution of Funding VITA Amendments to the 2004 – 2006 Biennial Budget

BUDGET ISSUE	Governor's Budget	Member Amendments ¹	Total Request	Approved Budget (Net) ²	VITA Action Plan
Facilities Relocation (FY 2005)	\$1,100,000	\$2,100,000	\$3,200,000	\$0	A, B, D
Program Management	\$320,000	\$1,330,000	\$1,650,000	\$0	B
<i>Enterprise Architecture</i>	\$320,000				
<i>Portfolio/PM Tools</i>		\$1,330,000			
VA Base Mapping Program	\$500,000	\$400,000	\$900,000	\$500,000	B
<i>Base Map Update</i>	\$500,000	\$150,000			
<i>Centerline Address File</i>		\$250,000			
DB Risk Assess/Incident Mgt		\$3,271,000	\$3,271,000	\$0	B, D
Repay Start-Up Treas Loan³	\$6,100,000		\$6,100,000	\$0	C
TOTALS	<u>\$8,020,000</u>	<u>\$7,101,000</u>	<u>\$15,121,000</u>	<u>\$500,000</u>	
<i>FY 2005</i>	\$1,100,000	\$0	\$1,100,000	\$0	
<i>FY 2006</i>	\$6,920,000	\$7,101,000	\$14,021,000	\$500,000	

VITA RECOMMENDATIONS

- A** Seek Treasury Loan
- B** Establish new rates requiring JLARC approval
- C** Establish one-time rate w/out JLARC approval

PROJECTED AGENCY IMPACT

FY 2006	\$10,400,000
FY 2007	\$10,900,000
FY 2008	\$5,300,000

NOTES:

¹ Member amendments were endorsed by the ITIB, Secretary of Technology, and Governor prior to the patrons' submission.

² JLARC recommendations eliminating GF for 4 of the 5 amendments were adopted by the budget conferees and the full General Assembly.

³ The HAC recommended deleting \$6.1M GF from Central Appropriations intended to repay loan. GA-approved language directs VITA to: (1) establish charges to recover from agencies in FY 2006 and 2007 the actual amount, out of \$6.1M, spent in FY 2005 or (2) determine another alternative--not using GF--to repay the treasury loan for start-up expenses.

Rates for New and Shared Services

New Services Rates

The ITIB Finance and Audit Committee is being asked to approve a proposal to establish rates for five new services and reduce one rate approved in November 2004 for submission to the ITIB and JLARC. The new services and proposed monthly rates include:

VMWare – Virtual Servers (Standard OS)	\$250.00
VMWare – Virtual Servers (Enterprise OS)	\$324.00
Shared SQL Server Database	\$170.00
Shared Email Service	\$ 9.29
Shared Blackberry Service	\$ 4.74
GESI - rate change – request reduction from \$34.00 to	\$ 24.00

VMWare – Virtual Servers

In keeping with VITA's mission to provide shared cost effective technology solutions to customer agencies, VITA engineers are evaluating various opportunities. One such opportunity VITA has aggressively pursued involves creating **virtual servers** on the Windows server platform using the **VMWare** software product. VITA has migrated 20+ applications to this environment, each operational within its own virtual server on a single physical server. Collectively, these applications are using less than 50% of the capacity of the physical server. Two rates are proposed related to this service depending upon an application's requirement for the standard or enterprise edition of the Windows operating system. The proposed rates will recover hardware, operating system software, security, capacity planning, operating system engineering and facilities expenses, and be applied per server.

Customer impact: The underutilized capacity of physical servers creates the opportunity for virtual servers to have a place in VITA's service offerings. Evidenced by VITA's ability to avoid purchasing or replacing 30 physical servers, virtual servers provide the same reduced cost alternatives to customers. The use of virtual servers may also become a component of a more comprehensive service offering such as is planned for the Enterprise Dashboard. VITA will work with customers to evaluate the benefits of using virtual servers on a case by case basis.

Shared SQL Server Database

Also on the Windows server platform, VITA has created a database cluster environment that allows for multiple applications to share the use of a **SQL server database** engine. When combined with use of virtual servers discussed above, VITA is able to offer a shared, low cost solution capable of hosting multiple tiers (Web, application and database) of agencies' systems. The proposed rate will be applied per "slice" required for each database. The proposed rate will recover hardware, operating system and SQL software, security, capacity planning, OS engineering and facilities expenses.

Customer Impact: Similar to the use of virtual servers for application processing, there frequently exists underutilized capacity in physical SQL database servers. Sharing much of the hardware and software expense allows VITA to offer this service at a reduced cost compared with a dedicated physical environment. VITA will work with customers to evaluate the benefits of the shared SQL database on a case by case basis.

Shared Email Service

VITA has developed a **shared email** solution to offer customer agencies an alternative to each agency incurring duplicate expenses related to hardware, software and support for email services. The proposed rate will be applied per email account. The proposed rate will recover hardware, operating system and Microsoft exchange software, software licensing per user, security, capacity planning, operating system engineering, storage, backup and facilities expenses.

Customer impact: Customers that elect to use VITA's shared email service will avoid purchasing or replacing a dedicated email server and the associated hardware, software, personnel and facilities expenses. VITA's email service may reduce costs for customers that currently provide a comparable email service for themselves. Customer costs could be neutral or could increase in cases where the current email service is sub-standard.

Shared Blackberry Service

In conjunction with the shared email service, VITA has developed a centralized **Blackberry service** that allows for communication and synchronization between Blackberry devices and the Blackberry holder's email account. The proposed rate will be applied per Blackberry device. The proposed rate will recover hardware, OS and Blackberry authentication software, software licensing per user, security and capacity planning and operating system engineering.

Customer Impact: VITA's use of a single server and instance of the Blackberry software to support multiple customers reduces the expense to each customer as compared with separate dedicated hardware, software, personnel and facilities expenses.

GESI (Government to Government Enterprise Services Interface)

In November 2004, VITA requested and received JLARC approval for the Government to Government (G2G) Enterprise Services Interface (GESI). This application hosting service uses MITEM Human Services Interface software to facilitate access to, and data retrieval from, multiple systems as required by Social Service workers in local government offices. The proposed per-user rate includes the server, consolidation of

software licensing at VITA, engineering support, security, capacity planning and facilities.

Through negotiations with MITEM, the vendor providing the software for this service, VITA has been able to reduce the expenses included in the previously approved rate.

Customer impact: Customers will be billed at a rate of \$24.00 per user, or \$10.00 per user less than the existing cost.

The following motion is recommended:

VOTED, that the ITIB Finance and Audit Committee approves the proposed rates for submission to the ITIB for approval at its April 2005 meeting, and subsequent submission to JLARC.

Shared Services Rates

VITA will propose a shared services rate package to the Board in June for all new services provided to customers as a result of the infrastructure transition. Building in time required for both customer and JLARC review, the targeted implementation date is September 2005. Establishing these rates is expected to complete the state's transition from a direct bill to a shared services payment structure for IT infrastructure services.

Committee members will recall that, over a year ago, the Board approved and VITA published rate schedules for new shared services offered as a result of IT integration. The implementation of these rates was later deferred, and direct billing with an added administrative charge became the vehicle agencies use to pay for new services from VITA.

The services affected by shared services rates development include:

- Personal computers (desktops and laptops)
- Other personal computer equipment (printers and scanners)
- Personal computer software (several tiers will be offered)
- Distributed print
- Servers (several tiers will be offered)
- Server software (several tiers will be offered)
- Network equipment (bridges, routers, hubs, switches, firewalls)
- Voice equipment and support

Additionally, as a consequence of the growing pressure on VITA to limit its dependency on the general fund for certain expenses, rates for other activities including program management, security, and geospatial information systems (GIS) will also be proposed at the Finance and Audit Committee's next meeting.

Exhibit A
Combined Balance Sheet
Internal Service Funds
February 28, 2005

	<u>Actual</u>
<u>Assets</u>	
Current Assets:	
Cash with Treasurer of Virginia	\$(1,458,479)
Petty Cash and Travel Advances	8,000
Accounts Receivable	34,134,508
Due From Other Funds	
Due from Commonwealth of Virginia	
Prepaid Expenses	2,456,889
Total Current Assets	<u>35,140,918</u>
Noncurrent Assets:	
Depreciable Capital Assets, Net	16,984,716
Total Assets	<u><u>\$52,125,634</u></u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$7,632,007
Notes Payable	6,825,036
Advances from Treasurer of Virginia	
Accrued Compensated Absences	1,723,294
Other Deferred Revenue	152,493
Due to Federal Government	311,953
Other Liabilities	
Total Current Liabilities	<u>16,644,783</u>
Noncurrent Liabilities:	
Notes Payable	5,709,180
Accrued Compensated Absences	1,582,644
Total Noncurrent Liabilities	<u>7,291,824</u>
Total Liabilities	<u>23,936,607</u>
Net Assets	
Investment in Capital Assets, Net of Related Debt	6,651,167
Unrestricted	21,537,860
Total Net Assets	<u>28,189,027</u>
Total Liabilities and Net Assets	<u><u>\$52,125,634</u></u>

Exhibit B
Combined Statement of Revenues, Expenses, & Changes in Net Assets
Internal Service Funds
For the Period Ended February 28, 2005

	<u>Actual</u>
Operating Revenues	
Charges for Services	\$109,995,888
Total Operating Revenues	<u>109,995,888</u>
Operating Expenses	
Personal Expenses	40,732,854
Contractual Services	50,949,943
Supplies and Materials	311,628
Educational Assistance and Transfer Payments	1,327
Rent, Insurance & Other Related Charges	6,092,044
Depreciation	5,707,903
Expendable Equipment/Improvements	5,540,168
Total Operating Expenses	<u>109,335,867</u>
Operating Income (Loss)	<u>660,021</u>
Nonoperating Revenues (Expenses)	
Interest	(228,617)
Depreciation ¹	(57,016)
Reimbursement to Federal Government	
Revenue from the Sale of Recyclable Materials	845
Realized Gain – Assets	57,016
Proceed from Insurance Recoveries	
Sale of Surplus Property	
Loss on Fixed Asset Disposal	
Total Nonoperating Expenses	<u>(227,772)</u>
Income (Loss) Before Transfers	<u>432,249</u>
Transfers	
Transfers from Other Funds	
Transfers to the General Fund of the Commonwealth	(31,222)
Transfers from the General Fund of the Commonwealth	
Total Transfers	<u>(31,222)</u>
Increase (Decrease) in Net Assets	401,027
Total Net Assets, July 1	<u>27,788,000</u>
Total Net Assets, February 28	<u><u>\$28,189,027</u></u>

¹ The Auditor of Public Accounts, the State Comptroller's Office, and VITA agreed that VITA would recognize a gain on the receipt of transferred assets equal to the amount of depreciation recognized on those assets.

Exhibit C
Combined Statement of Cash Flows
Internal Service Funds
For the Period Ended February 28, 2005

	Actual
Cash Flows from Operating Activities	
Receipts for Sales and Services	\$3,365,211
Internal Activity – Receipts from Other Funds	88,239,867
Internal Activity - Payments to Other Funds	(1,837,245)
Payments to Suppliers for Goods and Services	(10,185,948)
Payments for Contractual Services	(51,242,425)
Cash Payments to Employees for Services	(42,559,097)
Other	
Net Cash Used in Operating Activities	<u>(14,219,637)</u>
Cash Flows from Noncapital Financing Activities	
Transfers In from Other Funds	--
Transfers Out to Other Funds	(31,222)
Other Non-capital Financing Disbursements - Payment to Federal Govt	<u>(530,822)</u>
Net Cash Used in Non-capital Financing Activities	<u>(562,044)</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Equipment	
Acquisition of Capital Assets	(2,440,644)
Principal Paid on Notes Payable	(4,018,903)
Interest Paid on Notes Payable	<u>(228,617)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(6,688,164)</u>
Net Increase (Decrease) in Cash	(21,469,845)
Cash, July 1	<u>20,019,366</u>
Cash, February 28	<u><u>\$(1,450,479)</u></u>

Exhibit D
Combined Statement of Revenues, Expenses, & Changes in Net Assets
Enterprise Funds
For Period Ended February 28, 2005

	<u>Actual</u>
Operating Revenues	
Charges for Services	<u>\$28,692,682</u>
 Total Operating Revenues	 <u>28,692,682</u>
Operating Expenses	
Payments to Virginia Interactive	4,039,565
Personal Expenses	268,841
Contractual Services	1,391,627
Supplies and Materials	6,673
Rent, Insurance & Other Related Charges	22,375
Non-recurring Cost Estimate Payments to Providers	23,527,699
Expendable Equipment/Improvements	<u>21,633</u>
 Total Operating Expenses	 <u>29,278,413</u>
Operating Income (Loss)	<u>(585,731)</u>
Non-operating Revenues (Expenses)	
Receipts on behalf of others	18,893,232
Payments for receipts collected on behalf of others	(18,893,232)
Interest	
Expenses from Security Lending Transactions	
Loss on Fixed Asset Disposal	<u> </u>
 Total Non-operating Expenses	 <u> </u>
Income (Loss) Before Transfers	<u>(585,731)</u>
Transfers	
Transfers to the General Fund of the Commonwealth	
Transfers from the General Fund of the Commonwealth	<u>49,359</u>
 Total Transfers	 <u>49,359</u>
Increase (Decrease) in Net Assets	(536,372)
Total Net Assets, July 1	<u>14,403,865</u>
Total Net Assets, February 28	<u><u>\$13,867,493</u></u>

The Enterprise Funds include E-911 and portal access services. Non-operating receipts are from customers using Virginia's portal services and payments are to the state agencies that own the websites accessed. June 30, 2004 statements are presented on an accrual basis for Commonwealth reporting purposes. Monthly reports are presented on a cash basis.

Exhibit E
Combined Statement of Revenues, Expenses, & Changes in Net Assets
General and Special Revenue Funds
For Period Ended February 28, 2005

	General Funds	Special Revenue Funds
Revenues	\$8,509,614	\$1,754,969
Expenditures	<u>1,783,193</u>	<u>1,162,816</u>
Revenues Over (Under) Expenditures	<u>6,726,421</u>	<u>592,153</u>
Other Financing Sources/(Uses) Transfers in/(out)	<u></u>	<u>186,623</u> <u>1,751</u>
Net Change in Fund Balance	6,726,421	780,527
Fund Balance, July 1	<u></u>	<u>3,075,365</u>
Fund Balance, February 28	<u><u>6,726,421</u></u>	<u><u>3,855,892</u></u>